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SENSITIVE

SIPDIS

STATE FOR SCA/CEN, OES (PHUDAK, NFITE)

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SUBJECT: CENTRAL ASIAN LEADERS REACH AGREEMENT ON WATER AND ENERGY
FOR THE UPCOMING WINTER

11. (U) Sensitive but unclassified. Not for public Internet.

12. (SBU) SUMMARY: The presidents of the five Central Asian states overcame their disagreements and signed an agreement in Bishkek on October 10 to share water and energy resources this winter. One expert sees Gazprom's influence behind this deal, which, if implemented, would represent an important step forward on water and energy cooperation in Central Asia. END SUMMARY.

SUMMIT AGREEMENT ON WATER AND ENERGY

13. (SBU) The presidents of the five Central Asian states overcame their disagreements and signed an agreement on October 10 in Bishkek to share water and energy resources over the winter period. If implemented, the agreement should improve the winter situation in Kyrgyzstan and Tajikistan. Ruslan Ayabov, head of the Bilateral Cooperation Division of the Kazakhstani MFA's Central Asia Department, confirmed to the Regional Environmental Officer (REO) the results of the October 10 Bishkek meeting, which followed a CIS heads of state gathering. Ayabov gave the REO a non-paper with the following details about the agreement:

-- Kazakhstan will supply Kyrgyzstan the amount of coal it needs for the winter period.

-- Uzbekistan will guarantee an uninterrupted supply of natural gas to Kyrgyzstan during the first quarter of 2009, an amount that will exceed by 150 million cubic meters the amount delivered in the first quarter of 2008. (NOTE: The media in Kazakhstan have reported that Uzbekistan will be supplying its natural gas to Kyrgyzstan at a cost much lower than the current market rate. END NOTE.)

-- Tajikistan and Uzbekistan agreed on the transit of approximately 1.3 billion kilowatt hours of electricity from Turkmenistan through Uzbekistan's electrical power grid.

-- These agreements are directed toward maintaining the level of water in Kyrgyzstan's reservoirs necessary to guarantee the demands of neighboring countries for water for the irrigation period (i.e.,

the 2009 crop season).

DID GAZPROM GREASE THE SKIDS?

14. (U) In an article entitled "Kyrgyzstan Could Deny Uzbekistan the Status of Gas Monopolist," which appeared on October 20 in the Russian newspaper "Vremya Novosti," Central Asia expert Arkady Dubnov reported that Gazprom has signed memoranda of understanding regarding buying controlling shares in Kyrgyzstan's state-owned gas company KyrgyzGaz and in Kyrgyzneftegaz. Dubnov claimed that Gazprom also bought up a significant amount of Uzbekistan's natural gas, and that Gazprom informed the Uzbeks that if they refused to supply gas to Kyrgyzstan this winter at subsidized rates, then Gazprom would do so using part of the gas that it had purchased from Uzbekistan. According to Dubnov, Gazprom's hidden hand thus greased the skids for the Central Asian presidents to reach the water and energy agreement for the winter.

15. (SBU) COMMENT: In the past, various factors inhibited water and energy cooperation, causing the countries to negotiate annual bilateral deals. The interests of the upstream countries (Kyrgyzstan and Tajikistan) in using water for electricity generation have clashed with the interests of the downstream countries (Kazakhstan and Uzbekistan) in using water for crop irrigation. Additionally, Uzbekistan has held out from cooperating because of disputes with Kyrgyzstan over the status of the Amu-Darya and Naryn rivers, and has retained ambitions to remain the monopoly supplier of electricity in the region. If implemented, this agreement will represent an important step forward on water and energy cooperation in Central Asia, even if Gazprom/Kremlin Inc. banged the table to make it happen. END COMMENT.

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